

**McELROY, DEUTSCH, MULVANEY
& CARPENTER, LLP**

Jeffrey Bernstein, Esq.
Virginia T. Shea, Esq.
570 Broad Street, Suite 1500
Newark, NJ 07102
Phone: (973) 565-2183
jbernstein@mdmc-law.com
vshea@mdmc-law.com

Counsel for the New Jersey Bureau of Securities

**IN THE UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

In re:) Chapter 11
)
VOYAGER DIGITAL HOLDINGS, INC., <i>et al</i> ¹)	Case No. 22-10943-MEW
)
)
Debtors.) (Jointly Administered)

DECLARATION OF VIRGINIA T. SHEA

VIRGINIA T. SHEA, of full age, hereby declares as follows:

1. I am an attorney-at-law of the State of new Jersey and am of Counsel with McElroy, Deutsch, Mulvaney & Carpenter LLP, attorneys for the New Jersey Bureau of Securities (the "Bureau"). I am fully familiar with the facts set forth herein and make this Declaration in support of the Bureau's response and reservation of rights to 1) *Debtors' Motion for Entry of an Order (I) Authorizing Entry into the Binance.US Purchase Agreement and (II) Granting Related Relief* [Doc. No. 775], and 2) *Debtors' Motion for Entry of an Order (I)*

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: Voyager Digital Holdings, Inc. (7687); Voyager Digital Ltd. (7224); and Voyager Digital, LLC (8013). The location of the Debtors' principal place of business is 33 Irving Place, Suite 3060, New York, NY 10003.

Scheduling a Combined Disclosure Statement Approval and Plan Confirmation Hearing, (II) Conditionally Approving the Adequacy of the Debtors' Disclosure Statement, (III) Approving (A) Procedures for Solicitation, (B) Forms of Ballots and Notices, (C) Procedures for Tabulation of Votes and (D) Procedures for Objections, and (IV) Granting Related Relief [Doc. No. 779].

2. Attached hereto as Exhibit "A" is a true and correct copy of the State of New Jersey, Department of Law & Public Safety, Office of the Attorney General, Press Release dated May 21, 2018 "*New Jersey Bureau of Securities Orders Three Online Cryptocurrency Promoters to Stop Offering Unregistered Securities in the State.*"

(<https://nj.gov/oag/newsreleases18/pr20180521a.html>).

3. Attached hereto as Exhibit "B" is a true and correct copy of the Bureau's March 29, 2022, Summary Cease and Desist Order against Voyager Digital Ltd., Voyager Holdings, Inc. and Voyager Digital, LLC.

4. Attached hereto as Exhibit "C" is a true and correct copy of an article published by The Wall Street Journal dated December 22, 2022 captioned "*Crypto Giant Binance Draws Calls for More Transparency.*"

5. Attached hereto as Exhibit "D" is a true and correct copy of an article published by Governance, Risk & Compliance Monitor Worldwide (a subscription based publication accessible, for example, through Lexis/Nexis), dated December 27, 2022 captioned "*French Investors Hit Binance with a \$2.4 Million Fraud Lawsuit.*"

6. Attached hereto as Exhibit "E" is a true and correct copy of an article published by Reuters dated December 12, 2022 captioned "*Exclusive: U.S. Justice Dept is split over charging Binance as crypto world falters.*"

7. Attached hereto as Exhibit “F” is a true and correct copy of a special report published by Reuters dated October 17, 2022 captioned *How Binance CEO and Aides Plotted to Dodge Regulators in U.S. and UK*.

I declare under penalty of perjury that this Declaration is true and correct to the best of my knowledge.

Dated: January 4, 2023

/s/ Virginia T. Shea

VIRGINIA T. SHEA

EXHIBIT A



THE STATE OF NEW JERSEY

DEPARTMENT OF LAW & PUBLIC SAFETY

OFFICE OF THE ATTORNEY GENERAL

Search

[NJHome](#) | [Services A to Z](#) | [Departments/Agencies](#) | [FAQs](#)



[OAG Home](#)

[OAG Services from A - Z](#) ▼

[Servicios en Español](#) ▼

[OAG Contact](#)

[News Release](#)

[OAG Home](#)

[Gurbir S. Grewal](#)
Attorney General



For Immediate Release:
May 21, 2018

Office of The Attorney General

- Gurbir S. Grewal, *Attorney General*

Division of Consumer Affairs

- Kevin Jespersen, *Acting Director*

Bureau of Securities

- Christopher W. Gerold, *Bureau Chief*

Division of Law

- Michelle Miller, *Director*

For Further Information:

Media Inquiries-

Lisa Coryell

609-292-4791

Citizen Inquiries-

609-984-5828

**New Jersey Bureau of Securities Orders Three Online
Cryptocurrency Promoters to Stop Offering Unregistered
Securities in the State
NJ Actions Part of International “Crypto-Crackdown”**

- [View Bullcoin Order](#)
- [View Springcryptoinvest Order](#)
- [View Trident Order](#)

NEWARK – Attorney General Gurbir S. Grewal and the Division of Consumer Affairs announced that the Bureau of Securities (“the Bureau”) today issued three emergency orders to stop online cryptocurrency-related investment entities from fraudulently offering unregistered securities in New Jersey.

The Cease and Desist Orders against Bullcoin Foundation a/k/a Bullcoin Gold (“Bullcoin”), Trident d/b/a Trident Crypto Index Fund (“Trident”), and Springcryptoinvest were announced today as part of “Operation Cryptosweep,” an international crackdown on fraudulent Initial Coin Offerings (“ICOs”) and cryptocurrency-related investment products.

More than 40 other state and provincial securities regulators in the United States and Canada are participating in the sweep, which is being coordinated by the North American Securities Administrators Association (NASAA), of which the Bureau is a member.

“New Jersey’s Bureau of Securities has been a national leader in proactively protecting investors against the significant threat of fraudulent activity involving initial coin offerings and cryptocurrency-related investment products,” said Attorney General Grewal. “Today the Bureau joins securities regulators across the nation and beyond in sending a message that we will vigilantly safeguard our financial industry from schemes and scams involving cryptocurrencies.”

Operation Cryptosweep has resulted in nearly 70 investigations and 35 completed or pending enforcement actions since the beginning of May. NASAA members are conducting additional investigations into potentially fraudulent conduct that may result in additional enforcement actions. These actions are in addition to more than a dozen enforcement actions previously undertaken by NASAA members regarding these types of products.

“New Jersey is proud to announce enforcement actions under Operation Cryptosweep to help raise public awareness of the risks associated with initial coin offerings and cryptocurrency-related investment products,” said Kevin Jespersen, Acting Director of the Division of Consumer Affairs. “The Cease and Desist Orders we issued today successfully shut down three online entities seeking to prey on New Jersey investors.”

AG's Executive Leadership Team	
AG's Message	Ask the AG
Contact OAG	About OAG
OAG News	OAG FAQs
OAG Library	Employment
OAG Grants	Proposed Rules
OAG History	Services A-Z
Statutes / Regulations / Rules	
Agencies / Programs / Units	
Other News Pages	
Governor's Office	
Otras Noticias en Español (OAG)	
Civil Rights (Division of)	
Consumer Affairs (Division of)	
Criminal Justice (Division of)	
Election Law Enforcement Comm.	
Gaming Enforcement (Div. of)	
Highway Traffic Safety (Division of)	
Insurance Fraud Prosecutor (Office of)	
Juvenile Justice Commission	
State Police (Division of NJ)	
Law (Division of)	

The Bureau found that **Bullcoin** is offering investors an unregistered security in the form of an ICO of its Bullcoin Gold cryptocurrency (the “BCG token”) through its website and through various social media websites. The Bullcoin securities were not registered with the Bureau to be sold in New Jersey. Bullcoin further violated the law by failing to disclose key material facts to prospective investors, including its assets and liabilities, or financial information about the business; the risks associated with the BCG tokens; and the cryptocurrencies that the Bullcoin fund would invest. The Bureau also found that Bullcoin made untrue statements of material facts on its website, including that it is “the leading crypto-hedge fund,” an assertion that is either untrue or unsupported.

The Bureau found that **Trident** is offering investors an unregistered security in the form of an ICO of its Trident coins (“TDC Coin”) through its website and through various social media websites. The TDC Coins were not registered with the Bureau to be sold in New Jersey. Trident further violated the law by failing to disclose key material facts to prospective investors, including the identity of its principals; its physical address and principal place of business; its assets and liabilities, or financial information about the business; the persons or entities that developed the TDC coins; and the persons or entities that are buying and selling the cryptocurrency in the Trident Crypto Index Fund. The Bureau also found that Trident made untrue statements of material facts, including a statement on its website that in 2017 the Trident Crypto Index Fund had a return of more than 1400 percent but there is no evidence provided of these returns; and a statement on its WhitePaper that since the beginning of 2016 TDC coin has “gained by a factor of 154” but the Trident Website indicates that Trident was not founded until 2017.

The Bureau found that **Springcryptoinvest** is offering investors an unregistered security in the form of various investment packages through its website and through various social media websites. In order to invest with Springcryptoinvest, investors must open an online account through its website. After opening an account, investors are urged to fund the account by purchasing a plan using the cryptocurrencies Bitcoin, Litecoin, or payment websites PerfectMoney or Payeer. The Springcryptoinvest investment packages were not registered with the Bureau to be sold in New Jersey. Springcryptoinvest further violated the law by failing to disclose key material facts to prospective investors, including the identity of its principals; Springcryptoinvest’s assets and liabilities, and other financial information; and how investor funds are invested. The Bureau also found that Springcryptoinvest made untrue statements of material facts on its website by claiming it was incorporated in the United Kingdom in November 2002 with 04588340 as its registration number. However, United Kingdom registration number 04588340 is not assigned to Springcryptoinvest, and there is no United Kingdom registration number for the name Springcryptoinvest.

“Not every initial coin offering or cryptocurrency-related investment is fraudulent, but the risk of fraud is significant,” said Christopher W. Gerold, Chief of the New Jersey Bureau of Securities and Chair of NASAA’s Enforcement Section. “Since cryptocurrencies began attracting headlines last year, we have been warning investors to approach crypto-related investments with extreme caution and stay away from any investment that requires them to transmit funds to an unidentified online entity that fails to disclose who is behind its investment products, the financial status of its business, and the physical location of its operations.”

In April 2018, NASAA organized a task force of its member state and provincial securities regulators to begin a coordinated series of investigations into ICOs and cryptocurrency-related investment products. Regulators identified many cryptocurrency-related products and as part of its work, the task force identified hundreds of ICOs in the final stages of preparation before being launched to the public. These pending ICOs were advertised and listed on ICO aggregation sites to attract investor interest. Many have been examined and some were determined to warrant further investigation. A number of these investigations are ongoing and others resulted in enforcement actions announced today.

NASAA’s task force also found approximately 30,000 crypto-related domain name registrations, the vast majority of which appeared in 2017 and 2018.

The Bureau actions were handled by Deputy Bureau Chief Amy Kopleton, Director of Examinations Stephen Bouchard, and Legal Officer Delfin Rodriguez and Investigator Raymond Marelic within the Division of Consumer Affairs.

As part of Operation Cryptosweep, the Bureau has issued two investor advisories: “What to Know About ICOs” and “Be Cautious of the Crypto Investment Craze.” Both are available on the Bureau’s website at

www.njconsumeraffairs.gov/bos/Pages/investors.aspx.

Follow the New Jersey Attorney General’s Office online at [Twitter](#), [Facebook](#), [Instagram](#), [Flicker](#) & [YouTube](#). The social media links provided are for reference only. The New Jersey Attorney General’s Office does not endorse any non-governmental websites, companies or applications.

####

[News Index Page](#) | [top](#)

[Contact Us](#) | [Privacy Notice](#) | [Legal Statement](#) | [Accessibility Statement](#)



Departmental: [OAG Home](#) | [Contact OAG](#) | [About OAG](#) | [OAG News](#) | [OAG FAQs](#)

Statewide: [NJ Home](#) | [Services A to Z](#) | [Departments/Agencies](#) | [FAQs](#)

Copyright © State of New Jersey

This page is maintained by OAG Communications. Comments/Questions: [email](#) or call 609-292-4925

EXHIBIT B

STATE OF NEW JERSEY
BUREAU OF SECURITIES
P.O. Box 47029
Newark, New Jersey 07101
(973) 504-3600

IN THE MATTER OF:

Voyager Digital Ltd., Voyager Digital
Holdings, Inc. and Voyager Digital, LLC,

Respondents.

**SUMMARY CEASE
AND DESIST ORDER**

Pursuant to the authority granted to Amy G. Kopleton, Acting Chief of the New Jersey Bureau of Securities ("Bureau Chief"), under the Uniform Securities Law (1997), N.J.S.A. 49:3-47 to -89 ("Securities Law") and certain regulations thereunder, and based upon documents and information obtained during the investigation by the New Jersey Bureau of Securities ("Bureau"), the Bureau Chief hereby finds that there is good cause and it is in the public interest to enter this Summary Cease and Desist Order ("Order") against Voyager Digital Ltd., Voyager Holdings, Inc. and Voyager Digital, LLC (collectively, "Voyager").

The Bureau Chief makes the following findings of fact and conclusions of law:

FINDINGS OF FACT

1. Voyager Digital, LLC is a financial services company that generates revenue through trading, borrowing, staking, and lending cryptocurrency. Since November 1, 2019, Voyager has been, at least in part, funding its income generating activities, including lending operations, digital asset staking, and proprietary trading, through the sale of unregistered securities in the form of cryptocurrency interest-earning accounts. Voyager refers to these unregistered

securities as its “Earn Program,”¹ which is a feature of all Voyager cryptocurrency trading accounts (“Voyager Earn Program Accounts,”) unless the account holder opts out.

2. Voyager solicits investors to invest in the Voyager Earn Program Accounts by depositing certain eligible cryptocurrencies into the investors’ Voyager Earn Program Account. After obtaining transfers of cryptocurrencies from retail investors, Voyager then pools these cryptocurrencies together to fund its various income generating activities, including lending operations, proprietary trading, cryptocurrency staking, and investments in other cryptocurrency trading platforms, such as Celsius Network. In exchange for investing in the Voyager Earn Program Accounts, investors are promised an attractive interest rate that is paid monthly in the same type of cryptocurrency as originally invested.

3. The Voyager Earn Program Accounts are not registered with the Bureau or any other securities regulatory authority; nor are they otherwise exempt from registration. Digital assets contained in Voyager Earn Program Accounts are not protected by the Securities Investor Protection Corporation (“SIPC”), insured by the Federal Deposit Insurance Corporation (“FDIC”), or insured by the National Credit Union Administration (“NCUA”). This lack of a protective scheme or regulatory oversight subjects Voyager Earn Program Account investors to additional risks not borne by investors who maintain assets with most SIPC member broker-dealers, or with banks, savings associations, or credit unions, although Voyager does disclose the lack of insurance of digital assets to Voyager Earn Program Account investors.

4. As of March 1, 2022, Voyager had approximately 1,530,000 Voyager Earn Program Accounts representing approximately \$5 billion in assets, of which approximately 52,800 were New Jersey-based accounts representing approximately \$197 million in assets.

¹ At various times, Voyager has referred to its cryptocurrency interest account product as the Voyager Interest Program and Voyager Rewards.

5. Despite the Voyager Earn Program Accounts lacking the safeguards that the SIPC, FDIC, and NCUA would offer, and lacking the regulatory oversight of securities registration, by March 1, 2022, Voyager's holdings had mushroomed to the equivalent of approximately \$5 billion in cryptocurrency assets from the sale of these unregistered securities in violation of the Securities Law.

6. The Bureau Chief enters this Order to protect the investing public by halting the offer and sale of these unregistered securities, and the contribution of additional assets to existing Voyager Earn Program Accounts. Nothing in this order shall preclude Voyager, or any of its affiliates, from paying interest, also known as "Rewards," on the existing Voyager Earn Program Accounts or refunding principal to the Voyager Earn Program Account investors consistent with Voyager's Customer Agreement.

A. The Respondents

7. Voyager Digital Ltd. is incorporated in British Columbia, Canada and is the parent company for Voyager's subsidiaries, including Voyager Digital Holdings, Inc.

8. Voyager Digital Holdings, Inc. is incorporated in Delaware and is the holding company for Voyager Digital Ltd.'s subsidiaries in the United States, including Voyager Digital, LLC.

9. Voyager Digital, LLC, is a Delaware limited liability company, that effected a foreign entity filing in New Jersey on March 2, 2018, with offices at 185 Hudson Street, Jersey City, New Jersey. Voyager conducts its business on the internet, through a website accessible to the general public at <https://www.investvoyager.com/> (the "Voyager Website"), which is also accessible through Voyager's own proprietary app via smartphone.

10. Voyager is not presently registered, and has never been registered, in any capacity with the Bureau; nor have the Voyager Earn Program Accounts ever been registered with the

Bureau.

B. The Voyager Earn Program Account Securities

a. Voyager Earn Program

11. Voyager offers and sells its Voyager Earn Program Account unregistered securities in the form of individual and corporate accounts. Investors in these accounts (“Earn Program Investors”) deposit certain popular cryptocurrencies with Voyager to earn “up to 12% Rewards.” The Voyager Earn Program Account “Rewards” rates Voyager advertises are well in excess of the rates currently being offered on short-term investment grade fixed income securities, or on bank savings accounts.

12. Voyager offers its Voyager Earn Program Accounts to all U.S. residents over the age of eighteen, except residents of New York state.

13. When an investor signs up with Voyager, they complete a KYC (Know Your Customer) protocol in which they input certain identifying personal information, including name, age and address, and provide verification using an identification document such as a driver’s license. To create an account, a user must check a box next to the statement, “By creating an account, you agree to our Terms,” with the word “terms” hyperlinking to Voyager’s Customer Agreement (the “Voyager Terms”). Links to the Voyager Terms also appear elsewhere on the Voyager Website.

14. The Voyager Website states that Voyager requires Earn Program Investors to maintain a specified minimum average monthly cryptocurrency balance for an Earn Program Investor to earn interest on Voyager Earn Program Account balances. Specific minimum balances for particular coins are listed on the Voyager app information page for that coin.

























15. Voyager only accepts certain types of cryptocurrencies for deposit in the Voyager Earn Program Accounts. Although Voyager refers to its payments to Earn Program Investors as

“Rewards,” the term “Rewards” is a substitute for interest.

16. Voyager Earn Program Investors earn a variable interest rate on their investment and may withdraw their digital assets at any time, subject to certain restrictions, including discretionary decisions by Voyager to “delay, modify or prohibit, in whole or in part, any requested Withdrawal,” and withdrawals within sixty days of a cryptocurrency or cash deposit.











17. The currently monthly interest rates for Earn Program Investors are posted on the Voyager Website. Voyager’s interest rates for deposits of certain cryptocurrencies in its Earn Program Accounts may be “tiered” with specified rates in effect at any time only applied to specified portions of cryptocurrency held in the account, according to the Voyager Terms. Annual interest rates on eligible cryptocurrencies posted on the Voyager Website for March 2022 ranged from 12% for Polkadot to 0.5% for OMG:

THIS AREA INTENTIONALLY LEFT BLANK

 DOT POLKADOT Min. monthly balance: 20 DOT	12%	 USDC USD COIN Min. monthly balance: 100 USDC	9%
 VGX VOYAGER TOKEN Min. monthly balance: 100 VGX	7%	 MATIC POLYGON Min. monthly balance: 100 MATIC	5.25%
 ETH ETHEREUM* Min. monthly balance: 0.5 ETH	4.25%	 BTC BITCOIN* Min. monthly balance: 0.01 BTC	4.05%
 ADA CARDANO Min. monthly balance: 100 ADA	4%	 LUNA TERRA LUNA Min. monthly balance: 10 LUNA	4%
 AAVE AAVE Min. monthly balance: 1 AAVE	3%	 CELO CELO Min. monthly balance: 50 CELO	3%
 COMP COMPOUND Min. monthly balance: 1 COMP	3%	 DASH DASH Min. monthly balance: 1.5 DASH	3%
 SOL SOLANA Min. monthly balance: 3 SOL	3%	 LINK CHAINLINK Min. monthly balance: 10 LINK	2.5%
 LTC LITECOIN Min. monthly balance: 2 LTC	2.5%	 BCH BITCOIN CASH Min. monthly balance: 0.5 BCH	2%
 ATOM COSMOS Min. monthly balance: 20 ATOM	2%	 XTZ TEZOS Min. monthly balance: 50 XTZ	2%
 UNI UNISWAP Min. monthly balance: 10 UNI	2%	 FIL FILECOIN Min. monthly balance: 3 FIL	2%
 STMX STORMX Min. monthly balance: 5000 STMX	2%	 GRT THE GRAPH Min. monthly balance: 200 GRT	2%
 ALGO ALGORAND Min. monthly balance: 200 ALGO	2%	 ZRX 0X Min. monthly balance: 200 ZRX	1.5%

Search coins

Sort by: Highest rates

 UMA UMA Min. monthly balance: 25 UMA	1%	 BAT BASIC ATTENTION TOKEN Min. monthly balance: 300 BAT	1%
 EOS EOS Min. monthly balance: 50 EOS	1%	 OXT ORCHID Min. monthly balance: 500 OXT	1%
 XLM STELLAR LUMENS Min. monthly balance: 1000 XLM	1%	 ZEC ZCASH Min. monthly balance: 2 ZEC	1%
 MANA DECENTRALAND Min. monthly balance: 1000 MANA	0.5%	 DOGE DOGECOIN Min. monthly balance: 1000 DOGE	0.50%
 KNC KYBER NETWORK Min. monthly balance: 100 KNC	0.5%	 OMG OMG NETWORK Min. monthly balance: 50 OMG	0.5%

*Rewards are paid up to 100 Bitcoin and 500 Ethereum.

18. Voyager also pays interest for deposits of certain stablecoins, which are cryptocurrencies pegged to an external measure of value such as the U.S. dollar, in its Voyager Earn Program Accounts, as explained on the Voyager Website. For example, Voyager currently pays 9% annual interest on deposits of USDC with a minimum balance of 100 USDC.

19. Voyager's Customer Agreement describes the interest calculation and payment methodology:

10. Rewards Program. By entering into this Customer Agreement, and subject to clause (F) of this Section 10, Customer understands, acknowledges and agrees that Customer is opting into the Voyager Earn Program (the "Rewards Program"). The Rewards Program allows Customer to earn additional Cryptocurrency of the same kind of Cryptocurrency held in Customer's Account (the "Rewards"). The terms and conditions governing the Rewards Program are as follows:

* * *

(B) How Rewards Are Calculated. Rewards earned on Cryptocurrency are variable. Voyager will typically publish anticipated Rewards rates once per month on or before the first business day of each month. Reward rates may be tiered, with specified rates in effect at any time only applied to specified portions of amounts of Cryptocurrency held in the Account. Rewards will be payable in arrears and added to the Account on or before the fifth business day of each calendar month for the prior calendar month. Voyager uses the daily balance method to calculate the Rewards on the Account. This method applies a daily periodic rate to the specified principal in the Account each day. The daily periodic rate is calculated by dividing the applicable interest rate by three hundred sixty-five (365) days, even in leap years. Voyager will determine the Reward rates and tiers for each month in Voyager's sole discretion, and Customer acknowledges that such Rewards may not be equivalent to benchmark interest rates observed in the market for bank deposit accounts.

b. Voyager's Promotion of Earn Program Accounts as Investment Products

20. Voyager encourages its Earn Program Investors to think of their Voyager Earn Program Accounts as investments as evidenced by Voyager's own homepage address: <https://www.investvoyager.com/> and certain investment-related statements on Voyager's website,

such as “Grow your crypto portfolio” and “journey to the new frontier of investing,” as illustrated in the following:

With advanced market data, interactive charts, news, and professional research, Voyager gives you the powerful tools you need to gain a competitive edge in the crypto market. Let Voyager be your guide towards the future of investing.

Grow your crypto portfolio

and



and

**We believe that crypto assets are
the future of finance and investing.
Together, we are creating the broker
that the crypto market deserves.**

We are a team of finance and technology industry veterans dedicated to empowering and servicing investors in the most exciting asset class to date – crypto. Our founders have combined their decades worth of experience from leading organizations like E*TRADE, Uber, Tradelt, Lightspeed Financial and more, to bring you Voyager.

Our mission is to provide every investor with a trusted and secure access point to crypto asset trading. We offer best-in-class customer service, incomparable access to the most popular assets and commission-free trading.

Let us be your guide on this journey to the new frontier of investing. Please email contact@investvoyager.com with any inquiries.

c. Voyager's Use of the Earn Program Account Deposit Funds

21. The Voyager Customer Agreement provides that an Earn Program Investor relinquishes control over the deposited cryptocurrency to Voyager and that Voyager is free to use those assets as it sees fit, including commingling the Earn Program Investor's cryptocurrency with those of other Earn Program Investors, investing those pooled assets, and staking them, or lending them to various third parties, including custodians and other financial institutions. Having relinquished control over the deposited cryptocurrency in their Voyager Earn Program Accounts, the Earn Program Investors are passive investors.

22. Specifically, Paragraph 10. A. "Rewards Program - Overview" of the Voyager Customer Agreement provides:

(A) Overview. Each Customer participating in the Rewards Program acknowledges and agrees that Voyager may rely on the consent to rehypothecate granted by each customer pursuant to **Section 5(D) – Consent to Rehypothecate** with respect to Cryptocurrency held in

such Customer Account. Such consent to rehypothecate expressly includes allowing Voyager to (1) stake Cryptocurrency held in an omnibus fashion through various blockchain protocols (either by delegating Cryptocurrencies to the financial institutions which, in return, stake such Cryptocurrencies or using staking service providers to stake Cryptocurrencies); and (2) lend such Cryptocurrency to various institutional third parties (each, a “Borrower”) determined at Voyager’s sole discretion (each, a “Loan”). Voyager enters into these Loans as principal and independently negotiates with each Borrower the terms of a Loan, but these Loans are generally unsecured, for a fixed term of less than one year or can be repaid on a demand basis, and provide a fee payable in Cryptocurrency based on the percentage and denominated in the Cryptocurrency lent. Voyager selects which and how much Cryptocurrencies are available for such staking and lending.

23. In a response to an August 6, 2021 inquiry from the Bureau to Voyager, Voyager noted that “[a]s of the date of the request, all of the outstanding institutional lending activities represent uncollateralized loans.”

24. Paragraph 5.D. of Voyager’s Customer Agreement, “Consent to Rehypothecate,” further details the status of cryptocurrency deposited with Voyager by Earn Program Investors:

(D) Consent to Rehypothecate. Customer grants Voyager the right, subject to applicable law, without further notice to Customer, to hold Cryptocurrency held in Customer’s Account in Voyager’s name or in another name, and to pledge, repledge, hypothecate, rehypothecate, sell, lend, stake, arrange for staking, or otherwise transfer or use any amount of such Cryptocurrency, separately or together with other property, with all attendant rights of ownership, and for any period of time and without retaining a like amount of Cryptocurrency, and to use or invest such Cryptocurrency at Customer’s sole risk.

25. Voyager then pools the deposited cryptocurrencies together with Voyager’s other assets in order to, among other income-generating activities, stake them or, invest those pooled assets by making loans to various third parties, including custodians and other financial institutions.

26. Voyager does not disclose certain material information to Earn Program Investors that issuers of registered securities must include in a registration statement and provide to prospective investors in the form of a prospectus pursuant to section 52(d) of the Securities Law.

d. The Voyager Earn Program Accounts are Unregistered Securities

27. While certain of Voyager's loan products appear to be licensed under various state licensing requirements for money services businesses or money transmitters, and Voyager Digital Ltd. is a registered public company in Canada, the Voyager Earn Program Account is not currently registered with any federal or state securities regulator, nor is it exempt from registration as required by law, even though the Voyager Earn Program Account is a "security" and subject to such requirements.

28. Voyager fails to disclose to Earn Program Investors that its Earn Program Account is not currently registered by federal or state securities regulatory authorities, even though the Voyager Earn Program Account is a "security" and required to be registered.

e. Misrepresentations and Omissions in the Marketing of the Voyager Earn Program Accounts

29. Voyager represents to the public on its website that it is "publicly traded, licensed, and regulated." What Voyager fails to disclose in proximity to its advertising claim that it is "publicly traded," however, is that Voyager Digital, LLC's parent company, Voyager Digital Ltd., is publicly traded *in Canada*, not the U.S., by virtue of its equity securities being listed on the Toronto Stock Exchange. Thus, Voyager's advertising claim that it is "publicly traded" is inaccurate with respect to Voyager Digital, LLC, which is not a publicly-traded entity, and creates a misleading impression with respect to Voyager Digital, LLC's regulatory status, particularly because Voyager's website notes that "[a]ll services [are] provided by Voyager Digital, LLC. . .

“.

30. Voyager's claim to be "licensed" stems from state licensing in far fewer than all U.S. states as a money transmitter, or money services business, which is unrelated to Voyager's offering and selling of unregistered securities, and may convey the misleading impression to unsophisticated investors that Voyager is "licensed" to offer and sell such securities, when it is not.

31. Notwithstanding its claims to be licensed and regulated, Voyager's Earn Program Accounts are neither licensed nor regulated by the Bureau, and Voyager has not sought to register its Earn Program Account with the Bureau, notwithstanding that it is a security required to be registered with the Bureau.

CONCLUSIONS OF LAW

VOYAGER OFFERED AND SOLD UNREGISTERED SECURITIES

N.J.S.A. 49:3-60

32. The preceding paragraphs are incorporated by reference as though set forth verbatim herein.

33. The Voyager Earn Program Account is a security as defined in N.J.S.A. 49:3-49(m).

34. The Voyager Earn Program Account was and is required to be registered with the Bureau pursuant to N.J.S.A. 49:3-60.

35. The Voyager Earn Program Account has not been registered with the Bureau, is not exempt from registration, and is not federally covered.

36. Voyager has offered and sold unregistered securities in violation of N.J.S.A. 49:3-60 and continues to do so.

37. Each violation of N.J.S.A. 49:3-60 is a separate violation of the Securities Law and is cause for the denial of certain exemptions.

38. N.J.S.A. 49:3-69(a)(1) empowers the Bureau Chief to issue a cease and desist order against persons engaged in prohibited activities, directing them to cease and desist from further illegal activity or doing acts in furtherance thereof.

CONCLUSION

THEREFORE, it is on this 29th day of March 2022, **ORDERED** that:

39. Effective on April 29, 2022, Voyager and any person, agent, employee, broker, partner, officer, director, affiliate, successor, or stockholder thereof, under any of their direction or control shall CEASE AND DESIST from:

a. offering for sale any security, including any Voyager Earn Program Account, to or from New Jersey unless the security is registered with the Bureau, is a covered security, or is exempt from registration under the Securities Law;

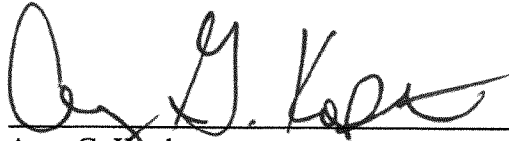
b. accepting any additional assets into an existing Voyager Earn Program Account; and

c. violating any other provisions of the Securities Law and any rules promulgated thereunder for the sale of any security in New Jersey.

40. Nothing in this order shall preclude Voyager from paying interest, also known as "Rewards," on existing Voyager Earn Program Accounts or refunding principal to Earn Program Account Investors consistent with the Voyager Terms.

41. All exemptions contained in N.J.S.A. 49:3-50 subsection (a) paragraph 9, 10, and 11 and subsection (b) are hereby DENIED as to Voyager.

42. All exemptions to the registration requirements provided by N.J.S.A. 49:3-56(b), N.J.S.A. 49:3-56(c), and N.J.S.A. 49:3-56(g) are hereby DENIED as to Voyager.

A handwritten signature in black ink, appearing to read "Amy G. Kopleton", written over a horizontal line.

Amy G. Kopleton
Acting Chief, New Jersey Bureau of Securities

NOTICE OF RIGHT TO HEARING

Pursuant to N.J.S.A. 49:3-69(a)(1)(i), the Bureau Chief shall entertain on no less than three days' notice a written application to lift the Order to Cease and Desist on written application of the person subject thereto and in connection therewith may, but need not, hold a hearing and hear testimony, but shall provide to the person subject thereto a written statement of the reasons for the Order to Cease and Desist.

Pursuant to N.J.S.A. 49:3-69(a)(1)(ii), upon service of notice of the Order to Cease and Desist issued by the Bureau Chief, the person subject thereto shall have up to 15 days to respond to the Bureau in the form of a written answer and written request for a hearing. The Bureau Chief shall, within five days of receiving the answer and request for a hearing, either transmit the matter to the Office of Administrative Law for a hearing or schedule a hearing at the Bureau of Securities. Orders issued pursuant to N.J.S.A. 49:3-69 shall be subject to an application to vacate upon 10 days' notice, and a preliminary hearing on the Order shall be held in any event within 20 days after it is requested, and the filing of a motion to vacate the Order shall toll the time for filing an answer and written request for a hearing.

Pursuant to N.J.S.A. 49:3-69(a)(1)(iii), if any person subject to the Order fails to respond by filing a written answer and written request for a hearing with the Bureau or moving to vacate the order within the 15-day prescribed period, that person shall have waived the opportunity to be heard. The Order will be a Final Order and shall remain in effect until modified or vacated.

NOTICE OF OTHER ENFORCEMENT REMEDIES

You are advised that the Uniform Securities Law provides several enforcement remedies, which are available to be exercised by the Bureau Chief, either alone or in combination. These remedies include, in addition to this action, the right to seek and obtain injunctive and ancillary relief in a civil enforcement action, N.J.S.A. 49:3-69, and the right to seek and obtain civil penalties in an administrative or civil action, N.J.S.A. 49:3-70.1.

You are further advised that the entry of the relief requested does not preclude the Bureau Chief from seeking and obtaining other enforcement remedies against you in connection with the claims made against you in this action.

EXHIBIT C

U.S. News: Crypto Giant Binance Draws Calls for More Transparency

The Wall Street Journal

December 22, 2022 Thursday

Copyright 2022 Factiva®, from Dow Jones
All Rights Reserved

FACTIVA®

Copyright 2022 Dow Jones & Company, Inc. All Rights Reserved.

THE WALL STREET JOURNAL.

U.S. EDITION

Section: Pg. A6

Length: 679 words

Byline: By Patricia Kowsmann and Caitlin Ostroff

Body

The collapse of the crypto exchange FTX has triggered calls for transparency in the industry. To many investors, the industry's biggest player, Binance, remains a black box.

Binance processes more transactions than most of its rivals combined, accounting for roughly half of crypto spot trading and two-thirds of derivatives trading, according to the research firm CryptoCompare.

Its outsized role has come under greater scrutiny since the collapse in November of FTX.

Like FTX, Binance discloses limited financial information. It doesn't say where the company is based. And its founder, Changpeng Zhao, is affiliated with market makers providing liquidity on its own platform, an arrangement some market observers say leads to a potential conflict of interest.

"Does the exchange give preferential treatment to an affiliate? Is the exchange supporting an affiliate with customer money? These questions concern customers and the regulators who try to protect them," said Larry Harris, a finance professor at the University of Southern California's Marshall School of Business.

"When a business is not transparent and not regulated, we have no true understanding of what is happening inside," Prof. Harris said.

Adding to investor worries, an outside audit firm that Binance brought in to report on its reserves recently said it was suspending its work for crypto firms.

Patrick Hillmann, Binance's chief strategy officer, said Binance has strict controls in place overseen by a global risk department. He said the exchange doesn't trade against users. While private companies aren't required to produce financial statements, Binance is embracing additional transparency by showing proof of its reserves, he added.

We have already restarted the [process] and will make additional announcements in the coming weeks," Mr. Hillmann added.

U.S. News: Crypto Giant Binance Draws Calls for More Transparency

Binance has been shrouded in secrecy following its creation in 2017. In recent years, when cryptocurrencies were booming, investors paid scant attention to corporate structure and governance within the industry.

Binance's lack of transparency and the structure of its operations have raised concerns among regulators.

Long before FTX's collapse, the Justice Department was probing whether Binance had abetted money laundering, and the SEC asked for a list of information from Binance's U.S. affiliate, including how it relates to the global organization. Binance has said in the past that it collaborates with regulators worldwide and takes compliance obligations seriously.

Mr. Zhao, born in China and raised in Canada, launched Binance out of Shanghai. After the Chinese government issued a ban on crypto exchanges, the team moved to Japan. In 2018, Japan's financial regulator warned the company against conducting trades for residents without having a license to do so. After that, Binance stopped disclosing a specific location.

Binance denies it continued to conduct business out of China after the ban, but developers based in Shanghai were maintaining important software functions at its U.S. arm, Binance.US, as of summer last year, The Wall Street Journal reported. It made Binance.US executives worry that the U.S. government might take issue with customer data being potentially accessible by the Chinese government.

Binance.US told the Journal at the time that the exchange had robust data protection and that U.S. customer data was stored on servers in the U.S.

"Binance does not operate in China nor do we have any technology, including servers or data, based in China," Mr. Hillmann said.

Binance is far larger than FTX and more important to the industry. The exchange is a big partner for Western crypto traders and institutions and a major platform for those in developing economies who want to store funds outside local-government currency.

After FTX filed for bankruptcy protection, Binance vowed to show customers worried about their funds that their tokens were stored safely. Binance released figures for bitcoin, but before it could release for others, Mazars, the auditing firm it used, suspended the work for Binance and other exchanges.

Notes

PUBLISHER: Dow Jones & Company, Inc.

Load-Date: December 22, 2022

End of Document

EXHIBIT D

French Investors Hit Binance With A \$2.4 Million Fraud Lawsuit

Governance, Risk & Compliance Monitor Worldwide

December 27, 2022 Tuesday

Copyright 2022 Global Data Point Provided by Syndigate Media Inc. All Rights Reserved



Length: 542 words

Body

A lawsuit has been filed against Binance France and Binance Holdings Limited for allegedly engaging in deceptive business practices and fraudulent concealment.

In a complaint submitted on December 14, the plaintiffs alleged that Binance had broken French law by publicizing and offering cryptocurrency services before being registered in that country.

Fifteen Investors Are Going Against Binance Holdings Limited

Reports say that the complaint includes screenshots of Binance's social media activity before receiving its license, including a Telegram channel dubbed "Binance French."

The plaintiffs also assert that they lost more than 2.4 million euros as a result of TerraUSD's (UST) collapse, despite Binance's claims that the token was backed by the US dollar.

According to Cointelegraph, Binance has received a license as a provider of digital assets in May 2022 from France's financial market regulator, the Autorit des marches financiers.

With the license, the cryptocurrency exchange was able to provide services like asset custody and crypto trading.

In a blog post, Binance France claimed that throughout the time in question, the company did not carry out any promotional communications in France.

The crypto company also pointed out that Telegram groups are international community forums, enabling users to voluntarily create and join channels.

In response to inquiries about Terra stablecoin advertisements in the nation, the business noted that its messaging portrays staking with Binance as safe, not the underlying tokens.

The exchange added that it always includes market risk warnings for cryptocurrency products and has strengthened its descriptions.

As per Cointelegraph, a series of dramatic events in May 2022 led to an unheard-of drop in the price of the LUNA token and its associated stablecoin TerraUSD (UST).

French Investors Hit Binance With A \$2.4 Million Fraud Lawsuit

Originally intended to maintain algorithmic parity with the US dollar, TerraUSD (UST) lost its peg and fell to below \$0.30.

US Authorities Are Also Preparing Money Laundering Charges Against Binance

The US Department of Justice (DOJ) officials are preparing charges against Binance for unlicensed money transmission, money laundering conspiracy, and violations of criminal sanctions.

However, due in part to the US law enforcement bureaucracy's Byzantine hierarchical structure, no decision has been made regarding when to file these charges, Coin Geek writes.

Prosecutors from three different DOJ divisions, including the National Cryptocurrency Enforcement Team (NCET), the Money Laundering and Asset Recovery Section, and the US Attorney's Office for the Western District of Washington, are working on the investigation.

The investigation, which centers on the decisions made by Changpeng "CZ" Zhao, the CEO of Binance, and other important executives, started in 2018 at the Washington State office.

The DOJ was compelled to take action after the Washington agents joined forces with MLARS and the Internal Revenue Service's Criminal Investigation (IRS-CI) division after tracing how criminals were using Binance to move illegal funds.

Despite this large US-based volume, Binance did not comply with US legal requirements by registering with the Department of the Treasury or implementing stringent anti-money laundering (AML) programs.

Load-Date: December 27, 2022

EXHIBIT E



My View



Following



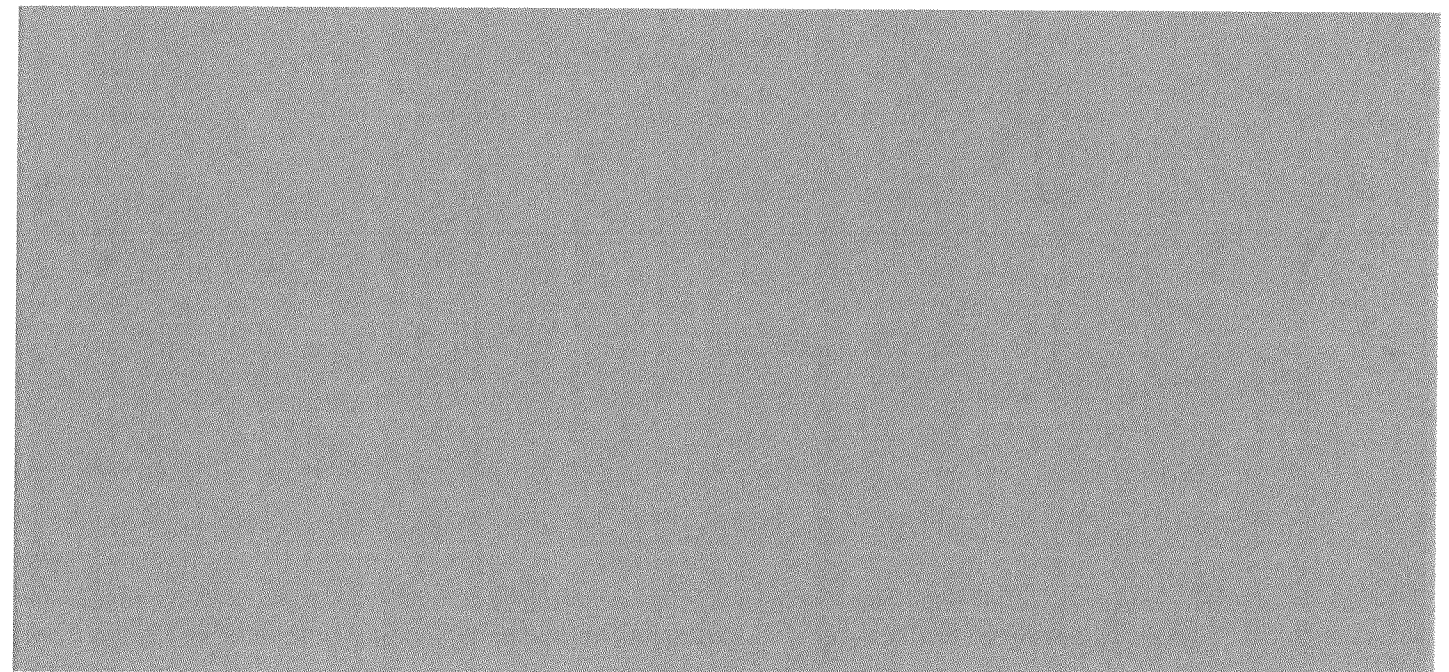
Saved

Future of Money

11 minute read · December 12, 2022 12:05 PM EST · Last Updated 15 days ago

Exclusive: U.S. Justice Dept is split over charging Binance as crypto world falters

By Angus Berwick, Dan Levine and Tom Wilson





[1/5] Representation of cryptocurrency Binance Coin, the native token of the cryptocurrency exchange, is seen in this illustration taken November 29, 2021. REUTERS/Dado Ruvic/Illustration/File Photo

< 1 2 3 4 5 >

< Summary >

- Some DOJ prosecutors believe evidence justifies filing charges against executives including CEO Zhao
- DOJ officials have discussed possible plea deals with Binance's attorneys
- Binance is under investigation for possible money laundering and criminal sanctions violations
- Binance says it has no insight into the "inner workings of the US Justice Department"




WASHINGTON, Dec 12 (Reuters) - Splits between U.S. Department of Justice prosecutors are delaying the conclusion of a long-running criminal investigation into the world's largest cryptocurrency exchange Binance, four people familiar with the matter have told Reuters.

The investigation began in 2018 and is focused on Binance's compliance with U.S. anti-money laundering laws and sanctions, these people said. Some of the at least half dozen federal prosecutors involved in the case believe the evidence already gathered justifies moving aggressively against the exchange and filing criminal charges against individual executives including founder Changpeng Zhao, said two of the sources. Others have argued taking time to review more evidence, the sources said.

Advertisement · Scroll to continue

The inquiry involves prosecutors at three Justice Department offices: the Money Laundering and Asset Recovery Section, known as MLARS, the U.S. Attorney's Office for the Western District of Washington in Seattle and the National Cryptocurrency Enforcement Team. Justice Department regulations say that money laundering charges against a financial institution must be approved by the MLARS chief. Leaders from the other two offices, along with higher-level DOJ officials, would likely also have to sign off on any action against Binance, three of the sources said.



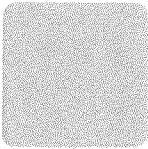
**Register for free to Reuters
and know the full story**

Register now

Through interviews with almost a dozen people familiar with the case, including current and former U.S. law enforcement officials and ex-Binance advisors, along with a review of company records, Reuters has pieced together the most comprehensive account so far of how the investigation developed and how Binance has sought to keep it at bay. Prosecutors' deliberations on charging Binance have not been previously reported.

Latest Updates

Future of Money
India's Paytm CEO says there will be no more cash burn



[View 2 more stories](#) ✓

The stakes are high for the deeply troubled crypto sector. If the investigation goes against Binance and Zhao, it could loosen Binance's grip on the industry. Its hold has been strengthened by the recent collapse of rival exchange FTX.

Binance's defense attorneys at U.S. law firm Gibson Dunn have held meetings in recent months with Justice Department officials, the four people said. Among Binance's arguments: A criminal prosecution would wreak havoc on a crypto market already in a prolonged downturn. The discussions included potential plea deals, according to three of the sources.

Advertisement · Scroll to continue

A Binance spokesperson said, "We don't have any insight into the inner workings of the US Justice Department, nor would it be appropriate for us to comment if we did." The Justice Department declined to comment.

The charges under investigation are unlicensed money transmission, money laundering conspiracy and criminal sanctions violations, the four people said. No final charging decisions have been made, though prosecutors consider Zhao and some other executives

negotiate a settlement, or close the case without taking any action at all.

Little has been revealed about the case. Reuters reported previously that in 2020, prosecutors requested extensive internal records from Binance about its anti-money laundering checks, along with communications involving Zhao and other executives.

The new reporting shows that the case has shadowed Binance for most of its five years in existence, shaping Zhao's management of the company while he drove its explosive growth around the world. He instigated a recruitment spree last year that led to the hiring of officials from the Internal Revenue Service's Criminal Investigation division, the U.S. government agency that was investigating Binance. He enforced strict secrecy rules on employees, telling them to use email as little as possible and to communicate using encrypted messaging services, according to company messages that Reuters has previously reported.

Reuters has investigated Binance's financial crime compliance over the course of 2022. The reporting showed that Binance kept weak anti-money laundering controls, processed over \$10 billion in payments for criminals and companies seeking to evade U.S. sanctions, and plotted to evade regulators in the United States and elsewhere.

Binance has disputed the articles, calling the illicit-fund calculations inaccurate and the descriptions of its compliance controls "outdated." The exchange has said it is "driving higher industry standards" and seeking to "further improve our ability to detect illegal crypto activity on our platform."

Launched by Zhao in Shanghai in 2017, Binance now dominates the crypto industry. The exchange processed trades worth around \$1.6 trillion in October, about half of the entire crypto market's trading volume. That sum dwarfed its former challenger FTX, which handled \$230 billion in trades that month, according to data site CryptoCompare.

exchange was the "most regulated," but he based it in the Bahamas, where oversight was light, and secretly used customer deposits. The Justice Department has opened an investigation into FTX's handling of company funds, Reuters has reported. In a bankruptcy hearing, attorneys for FTX said the exchange was run as a "personal fiefdom" of Bankman-Fried. Bankman-Fried says he didn't knowingly commit any wrongdoing.

Sources familiar with Justice Department operations said it is as yet unclear whether this new probe will add impetus to the investigation into Binance or slow it down.

Zhao, who declines to disclose the location or entity behind his own exchange, accelerated his rival's fall by announcing that Binance would sell its holding of FTX's digital token. This sparked a surge of user withdrawals, ultimately forcing FTX to file for bankruptcy.

In a blog post several days later, Zhao wrote that Binance "must lead by example" going forward. "We cannot let a few bad actors sully the reputation of this industry," he wrote.

"LAWYER UP"

Prosecutors in the U.S. Attorney's Office in Seattle began investigating Binance in 2018, following a wave of cases that saw criminals use Binance to move illicit funds, the four people familiar with the probe said.

The Seattle office partnered with MLARS to pursue the case, along with agents from the IRS Criminal Investigation division.

Binance began to address the chances of U.S. enforcement action that year. A summary of a company meeting in October 2018, attended by Zhao, said, "Lawyer up in the US, address regulatory risks."

The U.S. Bank Secrecy Act, designed to protect the U.S. financial system from illicit finance, requires crypto exchanges to register with the Treasury Department and comply

based the year of its launch, according to a company blog post.

Instead, Zhao approved a proposal from a person providing advice to Binance to "insulate" Binance from U.S. scrutiny by setting up a new American exchange that would draw regulators' attention away from the main platform, as reported by Reuters in October. Zhao became concerned about U.S. authorities gaining access to Binance's internal records, company messages show.

A guide issued to employees for one encrypted messaging service listed its "automatic self-erasing messages" as a benefit.

Until 2020, Binance's legal department operated on bare bones. Its head of legal, Jared Gross, was a former mergers and acquisitions lawyer with little experience in dealing with authorities, according to two people who worked with him. Faced with the Justice Department investigation, Binance hired an external lawyer from U.S. law firm Paul Weiss, Roberto Gonzalez, who was previously Treasury's deputy general counsel. Gross, who left Binance last year, did not respond to messages and phone calls. Gonzalez and Paul Weiss didn't comment.

In December 2020, two MLARS attorneys and a Seattle prosecutor sent the DOJ's request for documents to Binance, addressed to Gonzalez. The letter sought any records containing instructions that "documents be destroyed, altered, or removed from Binance's files" or that "information should not be committed to writing." The request asked for communications involving Zhao and 12 other Binance executives and advisors.

Several days later, an advisor to one of the people named in the letter received a panicked phone call from this person. The caller told the advisor that Binance was struggling to respond to the DOJ because many of the records relevant to the Department's request had already been erased due to Zhao's secrecy rules. This extended, the person told the advisor, to Zhao's approvals for financial decisions at Binance.US, the separate American exchange which publicly says it is "fully independent" of the main Binance platform.

responsible for overseeing decisions and activity across the business."

Text messages and phone records reviewed by Reuters confirm the call took place and that it concerned the Department's December 2020 letter. The advisor described the contents of the call on the condition that Reuters not identify the advisor or the caller.

Reuters, which was the first to disclose the request publicly, could not determine how Binance ultimately responded to the DOJ letter.

NEW TASKFORCE

The following year, Binance began a recruitment blitz. It hired at least five ex-officials from the IRS Criminal Investigation's Cyber Crime Unit, including a new global head of investigations called Tigran Gambaryan. Binance said Gambaryan's team would detect and prevent crimes on the platform and work closely with law enforcement.

As an IRS-CI special agent, Gambaryan had helped lead investigations into several notorious crypto crime operations, such as the Silk Road darknet drugs marketplace and a child abuse site called Dark Scandals, whose operations Reuters detailed in an [article last month](#). Gambaryan was not involved in the Binance investigation at IRS-CI, but was close to agents that were, according to two people who worked with him.

His hiring was part of a recruitment program by Binance among law enforcement officials in the United States, offering salaries that far exceeded what was available at many other finance and crypto firms, according to four people familiar with the outreach.

Gambaryan didn't respond to a request for comment. Binance told Reuters, "We are proud to have in our ranks some of the most celebrated cyber investigators representing virtually every single major international law enforcement agency across the globe." Binance said they have around 300 investigators working "to protect users from illicit actors."

traffickers to North Korean hackers had exploited this feature to move money anonymously through Binance.

But even after Binance required all users to submit identification, gaps remained in its compliance programme. For example, between then and this November, Binance processed over \$1 billion in trades for Iranian crypto firms, putting the company at risk of violating U.S sanctions, Reuters reported last month.

In October 2021, Deputy Attorney General Lisa Monaco announced the creation of a National Cryptocurrency Enforcement Team (NCET) to tackle investigations of "criminal misuses of cryptocurrency, particularly crimes committed by virtual currency exchanges." Monaco, in a separate speech that month, said the Justice Department's "first priority in corporate criminal matters" was to prosecute individuals who profit from corporate wrongdoing.

The Justice Department appointed Eun Young Choi, previously Monaco's senior counsel, as NCET's first director. Under Choi, NCET began coordinating the Binance investigation, joining the U.S. Attorney's Office in Seattle and MLARS, according to the four people familiar with the case. Agents gathered evidence from former Binance employees and business partners, they said.

In recent months, prosecutors at NCET and the Seattle office concluded they had sufficient evidence to prepare charges not only against Binance, but also against Zhao and some other executives, the people said. However, MLARS leadership has been hesitant to move forward with an indictment, leading to frustrations within the investigation team, the people said.


MLARS has a reputation in the Justice Department for moving slowly in reaching prosecution decisions, people familiar with its activities said. In October, however, the Department appointed a new MLARS chief, Brent Wible, who previously worked in the Fraud Section and before that as a prosecutor in the Southern District of New York. Both of

12/27/22, 12:32 PM

Exclusive: U.S. Justice Dept is split over charging Binance as crypto world falters | Reuters

Binance has hired a former chief of MLARS, Kendall Day, a partner at Gibson Dunn, to engage in discussions with the Justice Department. Day met with Justice officials in Washington in recent months, three of the people said. Officials discussed with Day a possible resolution to the case out of court, whereby suspects would potentially plead guilty or pay a fine, the three sources said. Day didn't comment.

((reporting by Angus Berwick in Washington, Dan Levine in San Francisco and Tom Wilson in London; editing by Janet McBride))



Register for free to Reuters
and know the full story

Register now



Our Standards: [The Thomson Reuters Trust Principles.](#)

Read Next / Editor's Picks

Future of Money

Cryptoverse: Bitcoin miners get stuck in a bear pit

September 27, 2022

Future of Money

Cryptoverse: Ether snaps at bitcoin's heels in race for crypto crown

September 13, 2022

Future of Money

Cryptoverse: Blockchain bridges fall into troubled waters

August 11, 2022

EXHIBIT F

A REUTERS SPECIAL REPORT

How Binance CEO and aides plotted to dodge regulators in U.S. and UK

A plan to "insulate" itself from the SEC. A backdated document. An exodus of compliance staff. The world's biggest crypto exchange and its billionaire founder swerved scrutiny by regulators, Reuters found. Now there are signs the strategy is fraying.

By TOM WILSON and ANGUS BERWICK | Filed Oct. 17, 2022, 11 a.m. GMT

WASHINGTON, DC – As 2022 dawned, Changpeng Zhao was riding high. In less than five years, the founder and chief executive of Binance had turned his young company into the world's largest crypto exchange, accounting for more than half the trading in the trillion-dollar market.

True, global authorities were scrutinising crypto exchanges ever-more closely. But the Chinese-born billionaire, known to staff and fans by his initials, CZ, had that covered. He told customers in a blog post in January that Binance "embraces regulations" and "has always worked collaboratively with regulators all over the world."

Behind the scenes, however, trouble loomed.

For at least a year before that post, the U.S. Justice Department had been pursuing a money laundering investigation into Binance, seeking extensive records on Binance's policies and the conduct of Zhao and other top executives. Reuters reported on Sept. 1. Binance called such requests a "standard process" and said it works with agencies worldwide to address their questions.

Now, new reporting by Reuters reveals fresh details about Binance's strategy for keeping regulators at arm's length and continuing disarray in its compliance programme. The reporting includes interviews with around 30 former employees, advisers and business partners and a review of thousands of company messages, emails and documents dated between 2017 and early 2022.

120 million

Number of Binance users as of July

It shows that in 2018, Zhao approved a plan by lieutenants to "insulate" Binance from scrutiny by U.S. authorities by setting up a new American exchange. The new exchange would draw regulators' attention away from the main platform by serving as a "regulatory inquiry clearing house," according to the proposal. Executives went on to set the plan in motion, company messages show.

In public, Zhao said the new U.S. exchange – called Binance.US – was a "fully independent entity." In reality, Zhao controlled Binance.US, directing its management from abroad, according to regulatory filings from 2020, company messages and interviews with former team members. An adviser, in a message to Binance executives, described the U.S. exchange as a "de facto subsidiary."

This year, Binance.US's compliance operation has been in turmoil. Almost half the U.S. compliance team quit by mid-2022 after a new U.S. boss was appointed by Zhao, according to four people who worked at Binance.US. The staff left, these people said, because the new chief pushed them to register users so swiftly that they couldn't conduct proper money laundering checks.



The U.S. Department of Justice Building in Washington. The department has sought internal records on Binance's policies and the conduct of Zhao and other top executives. REUTERS/Tom Brenner

The new insights come as the Justice Department is investigating whether Binance violated the Bank Secrecy Act, which requires crypto exchanges to register with the Treasury Department and comply with anti-money laundering requirements if they conduct "substantial" business in the United States.

"The Binance structure in the U.S. raises questions about the degree to which the parent company is willing to comply with U.S. laws and regulations," said Ross Delston, an independent lawyer, former banking regulator, and expert witness on anti-money laundering issues.

In Britain, too, Binance sought ways around regulatory scrutiny, company messages show. Zhao signed off on a plan in 2020 by a Binance executive to backdate a company document to avoid a review of a Binance UK unit under new illicit finance rules.

"I am fine with it," he wrote in an exchange discussing the plan.

Reuters sought comment for this article from Zhao, Binance and Binance.US.

Binance Chief Communications Officer Patrick Hillmann said that over the past two years, Binance has "worked with global law enforcement to seize assets of some of the most prolific criminal organizations" in the world. He didn't address Reuters' detailed questions.

After this article was published, Zhao said in a blog post that he "personally rejected" the 2018 plan to insulate Binance from U.S. regulators. Binance.US was set up "based on advice from leading US law firms," he said.

A spokesperson for Binance.US said Reuters' questions presented a "biased narrative," providing a "distorted depiction of Binance.US based on inaccuracies, misrepresentations, and outright falsehoods that simply do not square with reality."

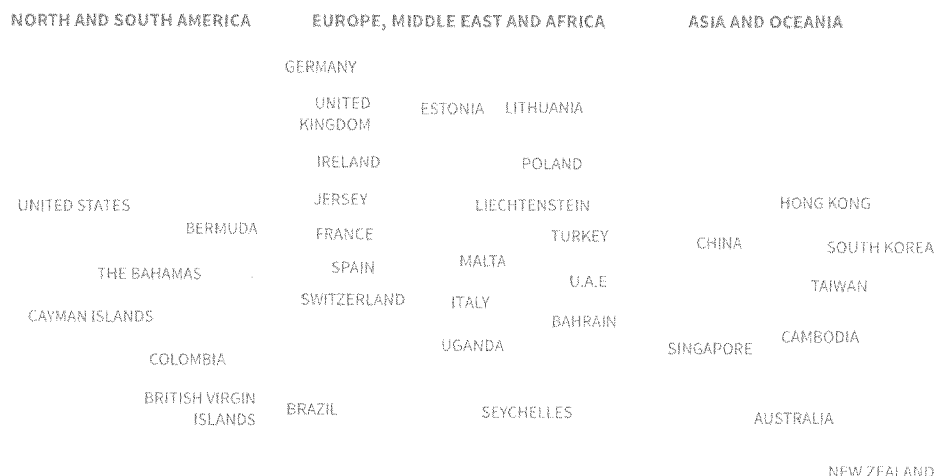
Binance.US was founded "with the express purpose of operating as a licensed and regulated entity in the United States," the spokesperson said. "In the last year, under current management, we have invested in talent, technology and financial resources to maintain the highest standards for compliance," substantially increasing headcount and budget. "All Binance.US users, no exceptions, go through the same rigorous screening and validation process."

The U.S. Justice and Treasury departments and Britain's regulator, the Financial Conduct Authority, declined to comment. The FCA warned consumers in June 2021 that Binance doesn't hold "any form" of permission to offer services regulated by Britain.

The Binance empire

Binance, which calls itself an “ecosystem,” has set up at least 73 entities, most controlled by CEO Changpeng Zhao. He declines to identify the entity behind the main exchange.

Companies controlled by Zhao Zhao's role unclear



Sources: Reuters reporting, corporate filings, Binance documents

Reuters earlier this year revealed how Binance drove its explosive growth while maintaining weak anti-money laundering controls and withholding information from regulators. The gaps in its compliance programme enabled hackers, drug traffickers and fraudsters to launder crypto worth at least \$2.35 billion in funds through the exchange.

Binance disputed the reports, calling the illicit-fund calculations inaccurate and the descriptions of its controls “outdated.” The exchange said it is “driving higher industry standards” and seeking to “further improve our ability to detect illegal crypto activity on our platform.”

There are signs that gaps remain in Binance’s compliance, however. Since August 2021, when Binance tightened customer checks, two Iranian crypto exchanges called Wallex and Sarmayex have used Binance to move crypto worth at least \$29 million despite U.S. sanctions on Iran, according to data compiled by two major blockchain analysis firms. Such activity puts Binance at risk of being hit with so-called secondary sanctions, which aim to prevent foreign firms from doing business with sanctioned entities or helping Iranians evade the U.S. trade embargo.

Wallex and Sarmayex did not respond to requests for comment.

The crypto sector is at a critical juncture. Prices have crashed, falling even harder than stocks as central banks tighten credit to fight inflation. Governments are seeking to tame an industry constrained by few guardrails during its evolution from internet niche to mainstream investment. Their actions will likely shape the fate of the empires built by moguls such as Zhao.

So far, Binance appears to be weathering what traders term a “crypto winter.” Zhao pledged \$500 million in May to join Elon Musk’s bid to buy Twitter and has expressed an interest in investing across the media, retail and gaming sectors.

In an open letter to customers in July, Zhao wrote, “Like any young company we have made mistakes in our past.” Binance, he said, now operates “at the same level as a financial institution that has been around for 200 years.”

“Larger than Google”

At the heart of Binance's troubled history with compliance stands its charismatic founder, Zhao. The 45-year-old entrepreneur built the company around himself, the interviews and documents show — a powerful leader committed to secrecy, focused on market domination, and attentive to minute operational details, although in public Zhao has said he doesn't micromanage employees.

"We want to take over the entire market!" Zhao told staff in a company chat group in late 2017, the year he launched the business in his native China.

Described on its website as an "ecosystem" with over 120 million users, Binance has set up at least 73 companies across the world, according to corporate filings and company organisation charts. Zhao owns or partly controls at least 59. He declines to give details of the location or entity behind the main exchange, which makes money by charging fees on crypto trades.

After Binance's launch, Zhao assigned top jobs to an inner circle of associates, many of whom had worked or studied in China. Among them was co-founder Yi He, a former host of a Chinese TV travel show. For several years, Zhao and Yi He were in a romantic relationship, according to four people who knew the couple. They have a son who was born in the United States, the people said. Companies commonly have policies in place regarding such relationships, with some requiring one of the people concerned to leave the organisation.

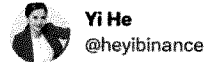
Yi He, who didn't comment for this article, now is one of Zhao's most powerful deputies and is seen by some former senior employees as a potential successor. This August, Zhao named her head of Binance's \$7.5 billion venture capital arm, adding to her key roles that include marketing chief. Two weeks earlier, Zhao told an interviewer that Yi He had been "integral to Binance's success" and would be an "integral part of our continued growth."

Binance spokesman Hillmann said that "two consenting adults starting a family together is not news. Media have known about their relationship (which pre-dates Binance) for years."

As Zhao grew Binance, he told employees in messages the company would be "larger than Google." He encouraged them to read "Blitzscaling: The Lightning-Fast Path to Building Massively Valuable Companies," a book about fostering breakneck growth at start-ups, noting it was "very applicable to us."

A company guide explained Binance's mission for new employees. Rapid results were essential. Instead of conducting in-depth research or data analysis, employees should make decisions by trusting their "good-feel," it said. If they weren't encountering problems, it meant "we are not advancing fast enough," an emphasis on speed that raises questions about Binance's focus on compliance.

Zhao's preference for secrecy pervaded the company.



Time flies.
What's changed since 2014 ?



4:57 AM · Apr 18, 2022 · Twitter for iPhone

Binance co-founder Yi He, left, is one of CEO Changpeng Zhao's most powerful deputies. Above, they are pictured together on Twitter.

In Binance's early days, Zhao was driving its growth from two countries – first in China, and later Japan – in which it held no operating licence. Zhao told employees in messages not to publicly disclose who they worked for or where their offices were. On one occasion in 2018, a San Francisco-based cybersecurity firm called Bugcrowd asked Binance for its headquarters' address. After Binance executives warned in the chat group against disclosing this, Zhao instructed staff to provide an address for the Cayman Islands, where he had set up a holding company, even though Binance's employees were mostly in Asia. Bugcrowd declined to comment.

Binance later expanded the secrecy rules to prevent employees from revealing their location on social media, discussing their work in public, or wearing anything with Binance branding. Zhao told them to communicate using encrypted messaging services and to avoid email as much as possible. Zhao's personal assistant issued a guide on how to use one messaging service, called Keybase, instructing employees not to use their Binance email address to register, and listing Keybase's "automatic self-erasing messages" as a benefit.

The secrecy made at least four staff members uncomfortable. "It felt like you were doing something wrong," one ex-manager said in an interview.

Former employees said Zhao often drove people hard. In one message in 2020, he scolded an employee for failing to grow Binance in new markets and said he was "frustrated that we are not pushing faster." But Zhao also offered perks. He took staff on ski trips to Japan and a beach vacation in Thailand. Many received salaries in Binance's own virtual token, BNB, whose value soared over 15-fold early last year as the crypto market boomed.

Zhao himself seldom publicly indulged in luxuries. "When you are the biggest, gotta be especially humble," he messaged employees in late 2018. In a tweet this September he said that a Forbes estimate of his wealth at \$17.4 billion was a "subjective opinion."

"Paper trail"

Zhao kept a close eye on operations, carrying out spot checks on employees' time sheets, according to chat messages and interviews with former employees.

One example of his oversight came in early 2020. A London-based payments partner called Checkout.com asked Binance to state on its website that one of Binance's British units "shall be responsible for transactions" conducted using traditional money. A Checkout.com spokesperson said the request was "completely standard across the payments and commerce worlds."

A Binance employee raised a warning about the requested statement in a message exchange that included Zhao and other executives. The employee cautioned that the statement would leave a "paper trail" linking the British unit to the main exchange, which Binance has shielded from global regulators by not providing details of its location.



changpengzhao



5,586 likes

changpengzhao Finally got a hard copy. Got a nice photo in the center fold. Thanks to Forbes, and the cool friends who sent me many copies.

View all 608 comments

4 March 2018

Binance founder Changpeng Zhao makes it onto the cover of Forbes magazine. Picture from Instagram

“A lot of room to play with compliance.”

Zoe Wei, a Binance strategy executive

Zoe Wei, a Binance strategy executive, responded that the statement could be made without publicly disclosing details of the UK unit's relationship with the main exchange. “Will not be (in) conflict with our unregulated policy,” she wrote. That was an apparent reference to Binance’s goal, set out in a company compliance document that month, to “protect the business from unnecessary regulatory scrutiny.”

Wei later added that Binance could “secretly delete” the addition afterwards. “A lot of room to play with compliance,” she noted.

“It looks fine. Go ahead,” Zhao responded. In the following weeks, Binance added and then deleted the change to its terms of use.

Asked about the messages, an FCA spokesperson said: “Binance is not currently permitted to undertake any regulated activities without the written consent of the FCA.” The regulator put the curbs in place last year after it concluded that another Binance UK firm was “not capable of being effectively supervised” because it refused to provide information about Binance’s business and the legal entity behind the main exchange.

In another message, on March 11, 2020, Wei proposed backdating by three months a service agreement relating to various operations between the UK unit and Binance’s Cayman Islands holding company. The aim: to buy time with the UK regulator. The FCA had recently applied strict anti-money laundering and counter-terrorism rules to the crypto industry. But any firm that could show it had been operating before Jan. 10, 2020, would be exempt from registering for another year.

Wei said Binance needed to persuade the FCA that “our UK entity have started operation before 10 January, 2020.”

“Companies with existing crypto activities” in the UK prior to that date “can continue their operations without registering with the FCA until 10 Jan. 2021,” she wrote.

Another executive wrote the backdating manoeuvre could be a “source of suspicion.”

Zhao waved the plan through. “I am fine with it,” he wrote. He later signed the document, which was seen by Reuters. The FCA declined to comment on the episode.

“Insulate Binance”

As Binance raced to expand, one market was in focus: the United States.

Within five months of Binance’s launch in 2017, a third of its users – one million at the time – were U.S.-based, a company blog post said. But Binance had not registered with the Treasury Department, as the Bank Secrecy Act required of financial companies with “substantial” business in the United States.

In September 2018, the New York attorney general’s office announced it had referred Binance to the state regulator for potentially violating crypto laws, after investigating whether the company accepted local residents as clients. The state regulator and attorney general’s office declined to comment.

Soon after, Zhao tasked executives with finding a way to ensure Binance kept access to the U.S. market, two people working with him said. In October, dozens of messages show, a group of top executives, including co-founder Yi He, sought the expertise of an entrepreneur called Harry Zhou.

Harry Zhou ran a U.S. crypto-trading firm that Binance had invested in. He sent a proposal to a Binance executives' message group to address "Binance-specific risks in the US."

Zhou suggested what he described as a "Tai-Chi entity," a reference to a martial art with defensive virtues. He didn't respond to requests for comment for this article.

Some details of Zhou's proposal, seen by Reuters, were reported by Forbes in 2020. Binance sued Forbes for defamation over the article that year, claiming the proposal was never implemented and that Zhou was a "third party," not acting on Binance's behalf. Binance later dropped the lawsuit. Forbes declined to comment.

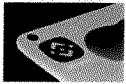
RELATED CONTENT



Exclusive: U.S. sought records on Binance CEO for crypto money laundering probe



How crypto giant Binance became a hub for hackers, fraudsters and drug traffickers



Special Report: Crypto giant Binance kept weak money-laundering checks



Binance served crypto traders in Iran despite U.S. sanctions, clients say

Reuters has reviewed unreported messages that further detail the plan, show that Binance executives moved ahead with it and indicate that Zhou was working closely with Binance.

Zhou's proposal called for Binance to register with the Treasury a separate U.S. entity that would comply with the Bank Secrecy Act. The plan is set out in a presentation, titled "Binance US Entry," that he shared with the executive group. This entity would offer traders a far slimmer selection of tokens than the main exchange, and no derivative products, to "reduce attractiveness of enforcement" by the U.S. Securities and Exchange Commission (SEC).

The SEC declined to comment.

Binance would restrict U.S. customers' access to the main platform, the presentation said. But Binance would enable "strategic" use of virtual private networks, which obscure the location of internet users, to "minimize economic impact" of the changes. This would leave a loophole: U.S.-based traders would still be able to access the main exchange, with its greater liquidity and broader range of products, by using a VPN connection.

Zhou's presentation explained the burdens of the main exchange being regulated: "active outreach to regulators can result in lengthy inquiries and requests for excessive disclosures; settlement costs can be substantial." But the Tai Chi structure would "insulate Binance from legacy and future liabilities" and "retard and resolve built-up enforcement tensions." The Tai Chi entity – and not Binance itself – would become "the target" of U.S. authorities.

TAI-CHI ENTITY – RISK MITIGATION

■ Tai-chi Entity:

■ Defensive

- **Reveal, retard and resolve** built-up enforcement tensions
- **Insulate Binance from legacy and future liabilities**

■ Cooperative

- Apply for substantive license
- Regulatory inquiry clearinghouse: gratuitous sharing of commercially insensitive information
- Thought leadership (do their homework): SRO Rulebook, Howey Risk Indices, Etc.

FinCEN/OFAC

- Designate the US entity as **MSB Agent** for low-risk technical compliance with the BSA
- Participate in Department of Homeland Security Cornerstone program to avoid NS-related enforcement
- Participate in BSA 314(a) program to establish direct communication with FinCEN/OFAC

SEC

- **Reduce attractiveness of enforcement**
- List utility coins only and restrict US persons' access to the main Binance site (strategic treatment of VPN use at Binance to minimize economic impact)
- Adopt an **Asset-Evaluation Framework** (even just for publicity) to show **Howey** test sophistication

CFTC

- Adopt a **FINRA/NFA like Rulebook**
- Engage an anti-manipulation vendor

States (New York)

- **Reduce attractiveness of enforcement**
- **Geofencing off New York** (strategic treatment of VPN use at Binance to minimize economic impact)
- **Unlock New York market** through a federal license

A slide from the Tai Chi proposal for Binance's entry into the United States

Binance CEO Zhao's personal assistant arranged a video call with Harry Zhou and the group of Binance executives in early November 2018. During the call, Zhou presented the proposal to the CEO, who okayed it because he did not want to lose Binance's U.S. customer base, two people present said.

Around a week later, Binance's chief financial officer at the time, Wei Zhou, messaged executives to say "we have started planning" on setting up the Tai Chi entity in the coming weeks. He told the executives it was important to win "hearts and minds" in the United States with a public relations strategy focused on a "compliant message."

As they moved forward with the plan, Harry Zhou said in a mid-November message that the future U.S. operation would have to "carefully preserve technical separation from Binance to avoid admitting it is a de facto subsidiary." Earnings from the U.S. business could be sent to the main exchange in the form of licence and service fees without threatening the legal separation of the two entities, he wrote.

The following month, CEO Zhao asked a lobbyist in Washington to meet CFO Wei Zhou to discuss the plans. Todd White, managing partner of Rulon & White Governance Strategies, told Wei Zhou that a U.S.-based exchange would have to comply with anti-money laundering requirements. But the finance chief only wanted to talk about how fast Binance could grow in the United States, White recalled in an interview with Reuters.

After the meeting, White sent a letter to Zhao to caution him about Binance's apparent lack of concern for U.S. financial crime laws. "Listen to both sides and you will be enlightened, heed only one side and you will be benighted," White wrote, citing an ancient Chinese proverb.

Wei Zhou, who left Binance last year, did not respond to requests for comment.

"On a silver plate"

In early 2019, the Tai Chi plan began falling into place.

In February, a company called BAM Trading Services was incorporated in Delaware, using the same San Francisco address as Harry Zhou's crypto trading company. BAM registered with the Treasury as a money-service business in June 2019, just as Binance said it was banning U.S.-based users from its main exchange.

Days later, Binance unveiled a "partnership" with BAM Trading, saying BAM would license Binance's name and trading technology to launch the Binance.US exchange. Zhao said Binance.US, led by BAM, would "serve the U.S. market in full regulatory compliance" and be a "fully independent entity."

BAM was ultimately owned by Zhao, however, regulatory filings show. Its first chief executive, Catherine Coley, reported to the Binance.US board, chaired by Zhao. Binance's Cayman Islands holding company kept custody of Binance.US customers' digital wallets, according to a 2019 company financial report. And a company organogram showed Binance.US as part of the Binance group.

In a July 2019 message to employees announcing Coley's hiring, Binance's strategy chief, Gin Chao, told them to avoid publicising the true extent of the new CEO's connections to Binance. "A reminder to everyone that Coley is a Partner to Binance as far as external partners are concerned," he wrote. "Internally, of course, she is a valued team member."

Neither Chao, who now sits on Binance.US's board, nor Coley responded to requests for comment.

Despite the ban on U.S. users, Binance was aware that traders there continued to use the main platform, messages show. That August, a senior employee told a colleague in a message that the compliance department had privately told them that the exchange was, in practice, not banning U.S. users. In forum posts and online guides, Binance users said they could get around the ban by accessing the exchange via virtual private networks.

CEO Zhao, meanwhile, had been concerned about U.S. authorities gaining access to the main exchange's internal records. When an employee in May asked in the company chat group if they could use Slack to communicate, Zhao said the California-based messenger app "will give our data to any US agency on a silver plate." A Slack spokesperson said it only complies with valid legal requests.

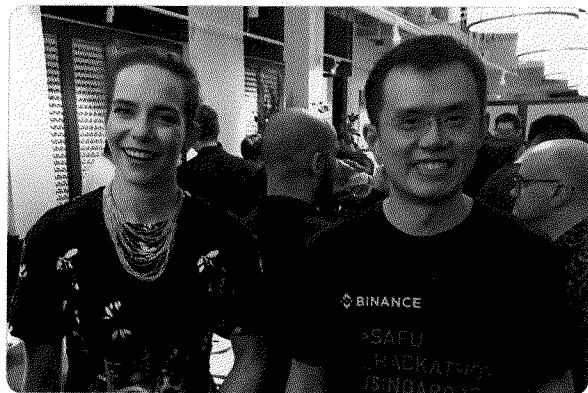
Under Coley, Binance.US wooed Americans with the promise of low trading fees. But unlike with the main Binance exchange, all U.S. customers had to submit identifying documentation to open accounts, lengthening the sign-up process. Until August 2021 the main Binance exchange let users open accounts and trade crypto anonymously by merely providing an email address. Users must now submit ID documents.

During Binance.US's first year, Zhao grew frustrated with the slow pace of its growth and pushed Coley to onboard clients faster, according to three people who worked with her. Zhao, they said, was eager to gain market share from rival exchange Coinbase, the dominant player in the U.S. market.



Catherine Coley 3
@cryptocoley

It takes a team effort! Thank you @cz for bringing us all together in #Singapore for the first @EventBinance, for @JamesRadecki32 for feeding us an amazing chili crab dinner, and for @arrington for the photography skills. Let's do this!



1:19 PM · Jan 21, 2019 · Twitter for iPhone

Former Binance.US boss Catherine Coley and Changpeng Zhao in Singapore, 2019.
Picture from Twitter



Coinbase is the biggest cryptocurrency exchange in the United States. Above, its logo is displayed in Times Square, New York.
REUTERS/Shannon Stapleton

Coley wouldn't lower her compliance standards to meet Zhao's demands, the people said. In an April 2020 interview with Forbes, she said she would never "compromise our policies on that front to allow more people in."

In December 2020, the Justice Department's money laundering section sent its letter to Binance. As Reuters reported last month, the department requested any communications involving 12 executives including Zhao and Coley, as well as adviser Harry Zhou, related to the establishment of Binance.US and the recruitment of U.S.-based customers. The department sought any company records on the Tai Chi entity, along with instructions employees communicate via encrypted messaging services. That month, the SEC also issued a subpoena to BAM, addressed to Coley, requiring it to hand over documents showing what services Binance was providing the U.S. company.

Reuters could not establish how Binance or BAM responded.

Coley left suddenly four months later. Three people familiar with her exit said it followed regular clashes with Zhao. She has not made any public statements since leaving.

Her replacement, Brian Brooks, a former top U.S. banking regulator, lasted only three months. He wanted to distance Zhao from Binance.US, telling an interviewer he planned to add new U.S. board members and take charge of its software development. He also sought to beef up the compliance team by hiring experienced staff. After Zhao rejected his proposals, he quit, four people familiar with his exit said.

In an August 2021 tweet, Brooks blamed "differences over strategic direction."

Just the beginning

Next, last October, Binance.US appointed a new chief executive, Brian Shroder, whose brother, Matt, already worked for the main exchange as head of its global expansion operations team.

Both Shroders previously worked at Uber Technologies, where they helped drive the ride-hailing company's dramatic rise. Some six of Brian Shroder's former Uber colleagues joined to fill senior Binance.US positions.

One target of the new boss was the compliance department, which early this year numbered some 20 people. Shroder and his deputies ordered the department to sign up users as quickly and seamlessly as possible, four people who worked there said. The executives also told the department to apply more lenient checks when opening accounts for "VIP customers" — non-

American traders who had been referred to
Binance.US by the main exchange to boost
liquidity there.

The new set-up compromised the Binance.US
compliance officers' duty to assess users for
possible criminal activity, the four people said,
as they were under pressure to not turn
customers away. The compliance team also
struggled to obtain customer data and
documentation on Binance.US's anti-money
laundering policies. They often had to request
the information from the main exchange, whose
developers in Shanghai still managed the U.S.
site.

On one occasion, a senior compliance officer
told Shroder the team was lacking the resources
to properly verify customers, the person
recalled. In response, the person said that
Shroder cursed and yelled at them, dismissing
their concerns. As tensions with Shroder
mounted in his first six months as boss, the
employee quit, as did some 10 other compliance
team members.

In response to Reuters, the Binance.US spokesperson said, "Over the past year, Binance.US has
only accelerated its investments in its compliance program, substantially increasing both
headcount and budget." Shroder "strengthened our compliance program by upgrading the talent
on our teams." The exchange has robust know your customer and anti-money laundering
controls on a "par with the nation's leading financial institutions," the spokesperson added.

This spring, the crypto market collapsed. Zhao projected confidence that the slump would help
Binance consolidate its dominance of the crypto industry. "Everyone who lasts, who survives,
will be stronger," he told an interviewer in June. By mid-year, Binance controlled about 60% of
global crypto markets, data from researcher CryptoCompare shows.

The Justice Department investigation rolled on. Agents interviewed former Binance employees
about their work there on topics including its compliance checks, according to a person with
direct knowledge of the probe. Then, in June, Reuters reported that criminals used Binance to
launder illicit funds.

REUTERS INVESTIGATES



More Reuters investigations and long-form narratives



Got a confidential news tip? Reuters Investigates offers several ways to securely contact our reporters

Zhao went on social media the next day, decrying "frivolous external attacks." On Twitter, where
Zhao has seven million followers, he "liked" mocked-up images created by supporters depicting
him alternatively as Superman and a Spartan warrior.

In July, Binance celebrated its fifth anniversary with a party in a Parisian botanical garden. Zhao
took the stage to rapturous cheers from fans who jostled to take photos of him. "People love
you," a Binance host told the CEO.

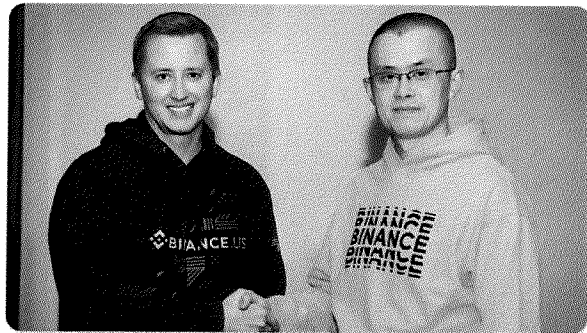
Deflecting an audience question about when crypto will be fully regulated, Zhao prepared to cut
a birthday cake iced in Binance's black and yellow colours. His strategy, he told the crowd, was
to "keep our head down" and build for the market's next boom cycle.



Congrats on securing the seed round @BrianShroder



Learn more: blog.binance.us/binance-us-rai...

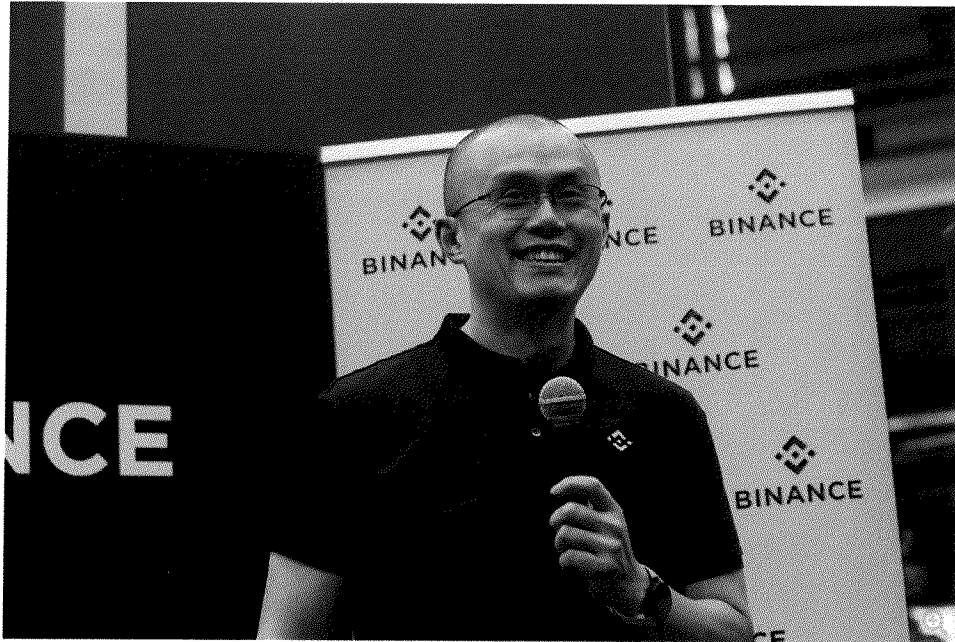


CZ ◆ Binance and Brian Shroder

This Tweet was deleted by the Tweet author. [Learn more](#)

11:20 PM · Apr 7, 2022 · Twitter Web App

Binance.US CEO Brian Shroder. Shroder previously helped drive Uber Technologies' dramatic rise. Picture from Twitter



Changpeng Zhao, founder and chief executive officer of Binance, in Paris earlier this year. REUTERS/Benoit Tessier

Additional reporting by Echo Wang in New York

Shadow Dance

By Tom Wilson and Angus Berwick


Graphics: Aditi Bhandari

Photo editing: Simon Newman

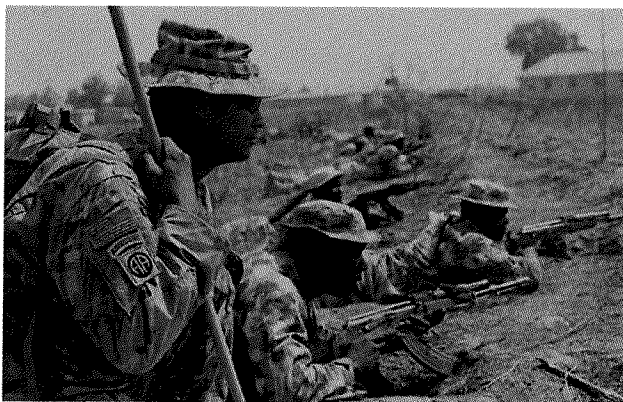
Art direction: Catherine Tai

Edited by Janet McBride



Follow Reuters Investigates  

OTHER REUTERS INVESTIGATIONS



Uneasy Allies

The U.S. and UK face a dilemma in Nigeria: How to support the government's war on insurgents while holding the military to account for human rights abuses.



The Lawyer

Machine Politics | Stefanie Lambert faces potential disbarment and a criminal probe related to her legal work for the election-denial movement.